UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/COM.3/38
TD/B/COM.3/EM.12/3
16 October 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and Development
Sixth session
Geneva, 18 February 2002

REPORT OF THE EXPERT MEETING ON ELECTRONIC COMMERCE AND INTERNATIONAL TRANSPORT SERVICES: BEST PRACTICES FOR ENHANCING THE COMPETITIVENESS OF DEVELOPING COUNTRIES

Held at the Palais des Nations, Geneva
26 to 28 September 2001

CONTENTS

Chapter		Page
I.	Agreed conclusions and recommendations	2
II.	Chairperson's summary	5
III.	Organizational matters	10
Annex		
	Attendance	12

Chapter I

AGREED CONCLUSIONS AND RECOMMENDATIONS

The Expert Meeting on Electronic Commerce and International Transport Services: Best Practices for Enhancing the Competitiveness of Developing Countries examined the impact of electronic commerce on international transport services, including economic and operational as well as legal and documentary aspects thereof, and decided to bring the following conclusions and recommendations to the attention of the Commission on Enterprise, Business Facilitation and Development at its sixth session.

The experts re-emphasized the necessity and importance of capacity-building in developing countries with a view to introducing electronic commerce in developing countries and integrating developing economies into world trade.

The importance of electronic commerce as a vehicle for improving the efficiency of transport services and for promoting the participation of developing countries in global trade should be recognized. To this end, developments pertaining to electronic commerce and transport need to be addressed and monitored on a regular basis.

The experts considered a number of legal issues and uncertainties arising from the application of existing laws and transport conventions in an electronic environment, including the challenge of replacing the negotiable bill of lading by an electronic alternative.

The experts recognized the value of contractual arrangements as a means of supplementing the current legal infrastructure.

The recommendations set out below should be considered within the context of the general need to design and implement national and regional ICT strategies for development.

A. Recommendations addressed to national Governments and enterprises

1. Governments are encouraged to promote investment in transport and ICT infrastructure and to ensure its coordinated development.

2. Governments are urged to enter into regional cooperation agreements with the aim of coordinating investment programmes in transport and telecommunications infrastructure.

3. Governments are urged to examine their existing legal infrastructure with a view to streamlining and adapting it to the requirements of electronic transactions.

4. In adapting their legal infrastructure, Governments are encouraged to give consideration to the existing international rules and guidelines, such as the United Nations

Commission on International Trade Law (UNCITRAL) Model Laws on Electronic Commerce and on Electronic Signatures.

5. Governments are encouraged to give consideration to adopting the existing international transport treaties that allow the use of electronic transport documents.

6. Governments are encouraged to simplify administrative regulations and practices, in particular customs procedures, to facilitate electronic commerce and transport operations.

7. Governments are encouraged to participate in the preparation of various legal instruments being considered in international forums.

8. Governments, customs, port authorities, port communities and transport operators are encouraged to undertake the necessary measures to establish port community systems and logistics platforms to facilitate the exchange of information amongst traders, service providers and administrations using international standards.

9. Governments and enterprises are encouraged to undertake the necessary measures to improve connectivity and access to Internet.

10. Governments are urged to introduce a regulatory environment that allows for a reduction in telecommunication and Internet charges.

11. Governments and enterprises are urged to promote public awareness of and education in all aspects of electronic commerce and the opportunities and benefits it offers, and Governments are urged to become model users of electronic commerce.

12. Commercial parties are encouraged to revise their existing commercial practices with respect to the use of traditional negotiable transport documents and to limit the use of such documents, whenever possible. Commercial parties are also encouraged to support and facilitate the use of electronic alternatives to traditional transport documents.

13. Transport operators from developed countries are called upon to enter into joint ventures with developing countries' operators, thus ensuring a transfer of know-how and capital.

14. Transport operators from developing countries are also called upon to enter into joint ventures with other developing countries' operators to further encourage South-South transfer of know-how and capital.

B. Recommendations addressed to the international community

15. International organizations involved in electronic commerce and transport should cooperate and coordinate their activities to improve the competitiveness of developing countries' trade and transport operators.

16. International organizations are encouraged to strengthen their legislative, technical and financial assistance to developing countries in the following areas:

(a) Reviewing and adapting national laws and regulations;
(b) Promoting awareness, and providing education and training;
(c) Developing transport and telecommunications infrastructures; and
(d) Strengthening transport and telecommunications services providers.

C. Recommendations addressed to UNCTAD

17. UNCTAD should keep under review and monitor developments relating to economic, commercial and legal aspects of electronic commerce and international transport services, and analyse the implications thereof for developing countries.

18. UNCTAD should undertake studies on the use of traditional transport documents in international trade, particularly on the extent to which negotiable bills of lading are necessary for modern-day international trade and the extent to which they can be replaced by non-negotiable transport documents, such as sea waybills, and by electronic alternatives.

19. UNCTAD should conduct research on the extent to which contractual arrangements can be used as a solution to facilitate wider use of electronic commerce in international transport services.

20. UNCTAD should develop and deliver training materials and disseminate information on best practices in the field of electronic commerce and international transport services for developing countries, with the participation of private operators from developed countries. UNCTAD, in conformity with requests or requirements in respect of capacity building from developing countries, should initiate or organize activities to develop human resources in developing countries.

21. UNCTAD should prepare guidelines for the establishment of model port community systems and logistics platforms in developing countries.

22. UNCTAD should give consideration to the possibility of reconvening the group on a regular basis to provide for a forum where developing countries, in particular the least developed among them, can benefit from a institutionalized dialogue on best practices in electronic commerce and international transport services as a means of facilitating trade.

Chapter II

CHAIRPERSON'S SUMMARY

1. The Deputy Secretary-General of UNCTAD highlighted the significant opportunities available to traders through the use of electronic commerce. The fulfillment of electronic-commerce-based transactions for physical goods depended on efficient transport and logistics services, and on shippers and service providers sharing information. Information and communication technologies provided means to transmit and process information and documents quickly and effectively. However, many traders and transport providers in developing countries were not using electronic commerce because of limited telecommunication systems and high access costs. Further investments to modernize and improve transport and telecommunications infrastructure were required, together with an appropriate legal and policy infrastructure that was supportive of and conducive to the practice of ICT-based services.

2. While means of electronic communication had speeded up the exchange of information, they had not yet eliminated the time and costs associated with the legal requirements for paper documents arising from mandatory national laws and international conventions applicable to transport contracts and documents. In the maritime transport sector, electronic alternatives for traditional bills of lading were not generally recognized by law, and international conventions did not apply to electronic bills of lading.

3. Thus, while Governments and international bodies had been involved in establishing policy and legal infrastructure for electronic commerce, industry and private sector organizations had been setting up the required technical standards and guidelines. Cooperation among interested parties, including Governments and international, intergovernmental and private sector organizations was essential to create an environment for e-commerce where international trade transactions could be conducted in a secure manner between parties from distant parts of the world.

A. Economic and operational aspects

4. The first informal session of the Expert Meeting, on the economic and operational aspects of electronic commerce in relation with international transport services, opened with presentations of national and regional experiences. There were wide disparities amongst the developing countries in their level of development of electronic commerce. Experts from various developing countries noted that their problems relating to the greater use of electronic commerce concerned inadequate basic infrastructure, limited availability of computers, Internet access and transport and communication infrastructure, and lack of basic knowledge. This was confirmed by interventions by representatives of the regional organizations, including ESCWA, ECA and ESCAP. Experts invited Governments to promote the use of electronic commerce for administrative procedures and thus to become model users. The

development and delivery of training materials and the dissemination of best practices in the field of electronic commerce and international transport services were required. International organizations, with the participation of private operators from developed countries, could assist in this context.

5. Experts believed that investment in transport and ICT infrastructure needed to be promoted and coordinated at the national level. Furthermore, regional cooperation agreements could be established with the aim of coordinating investment programmes in transport and telecommunications infrastructure. The experts also considered that a regulatory environment should be introduced to favour a reduction in telecommunication and Internet charges. The experts believed that North-South and South-South joint ventures between transport operators would allow a mutually beneficial transfer of know-how and capital and thus develop national capacity.

6. Experts benefited from presentations by Maersk Sealand (global container carrier) and UPS Europe (global express package carrier) on their use of electronic commerce. For these companies, the development and use of information and communication systems had been an integral part of their business plan and commercial success. They had full confidence in the use of web-based information transfer. By working towards the development of partnerships with their clients and the establishment of agreements, procedures for arranging transport services had been greatly simplified. The representatives from the private sector encouraged developing countries to seize the opportunity to fully utilize ICT for arranging and improving their transport services.

7. The representatives of the Port Authority of Valencia and the International Association of Ports and Harbors (IAPH) made presentations on the development of port community systems. Such systems offered the possibility of information exchanges between the main partners within a port: Customs and other administrations, ocean carriers, land transport operators, terminal operators, freight forwarders and the trading community. To facilitate the development of such systems, the exchange of information amongst all the partners should be based on international standards for messages. The representative of IAPH reported that a number of major ports from developed countries were cooperating with some developing country ports in the establishment of ICT-based port community systems. For the landlocked countries, the use of such systems, through Internet connections, could facilitate and increase documentary security on transit cargo from seaports. Guidelines for the establishment of model port community systems and logistics platforms in developing countries would be extremely useful.

8. Experts stressed that the use of ICT called for simplified and transparent port and Customs procedures. This required first a simplification of the procedures used by each port user group before their integration into a community system. In this regard, trade facilitation bodies could play an important role in building up the necessary team spirit, trust and know-how among the concerned partners. Such facilitation bodies would be instrumental in the simplification of administrative regulations and practices, in particular customs procedures, to facilitate electronic commerce and transport operations. The representative of ECE recalled

that CEFACT Recommendation No. 4 on Trade Facilitation Bodies provided useful guidelines on their establishment. Various countries indicated that they were using UNCTAD-developed ICT applications (ASYCUDA and ACIS) to streamline and improve their national Customs clearance process and their transport operations.

B. Legal and documentary issues

9. In considering legal uncertainties arising from the use of electronic means of communication in international trade and transport, experts recalled that a number of Governments had enacted, or were in the process of enacting, legislation in order to adapt their laws to the requirements of e-commerce. It was noted that the legal requirements in national laws and transport conventions for "written", "signed" and "original" documents would constitute barriers to the development of e-commerce. Furthermore, the transport sector faced the particular challenge of replacing negotiable transport documents such as bills of lading with electronic alternatives.

10. In this context, a representative of UNCITRAL explained that the UNCITRAL Model Laws on Electronic Commerce (1996) and on Electronic Signatures (2001) aimed at providing States with a set of internationally acceptable rules and principles in removing some of the legal uncertainties and creating a favourable legal environment for electronic commerce. References were made to articles 16 and 17 of the Model Law on Electronic Commerce that dealt with the issues of carriage of goods and attempted to cover matters pertaining to electronic transport documents. It was also pointed out that UNCITRAL's future work on electronic commerce included the preparation of an international convention on electronic contracting and of a possible international instrument to overcome form requirements arising from the existing international conventions and instruments applicable to international trade and transport.

11. It was further stressed that a number of legal questions raised by electronic commerce could be addressed through contractual arrangements as preliminary measures pending adjustments to the legal framework. Indeed contractual terms and conditions could supplement legal frameworks and provide solutions to some of the uncertainties of electronic commerce.

12. In discussing the role of transport documents in international trade, the functions of bills of lading as evidence of contract, receipts for goods and documents of title, as well as their essential role in letters of credit, were highlighted. Experts and panellists stressed that in most transactions it was information and evidence of facts that were needed and not a physical or negotiable document. A survey of letters of credit calling for negotiable bills of lading showed that in the majority of cases there was no need for a document of title. Negotiable documents were only required in cases where there was a need to transfer title to goods in transit. Indeed the ICC Uniform Customs and Practice for Documentary Credit (UCP 500) included non-negotiable sea waybills and stressed the importance of evidence and

authentication issues. It was further noted that the draft eUCP prepared by ICC was expected to be finalized in November 2001.

13. Bearing in mind that the replacement of negotiable documents with electronic alternatives was indeed a challenge for the transport sector, experts and panellists called for a change of attitude and approach by commercial parties in relation to their documentary practices. It was stressed that the use of non-negotiable documents would clearly facilitate the transition to electronic commerce.

14. Experts also held discussions on the systems that aimed at replacing trade and transport documents with electronic substitutes. A representative of @Global Trade Secure Payment and Trade Management System explained that the system, which was still at the pilot stage, followed the documentary credit process, allowing the parties to create electronic equivalents of their paper documents, duly authenticated and signed. It complemented the traditional letters of credit and was in conformity with eUCP 500. It was an open system with no need for registration charges or any new software. Applicants would pay their credit-issuing banks a fee for issuance of L/Cs through @Global Trade, as they currently did. It used non-negotiable electronic sea waybills. The key challenge was considered to be the involvement of all actors in trade transactions involved.

15. A representative of Bolero International explained that the Bolero system aimed at facilitating international trade through electronic means, focusing on trade documents and providing a common legal and security basis for such transactions. Unlike @Global Trade, Bolero was a closed system and its services were only available to its members. Thus the system needed the involvement of all the players in the international trade chain to succeed. As the Bolero Bill of Lading (BBL) was not recognized by law, the Rule Book provided the contractual basis that was binding on all members. The challenges facing the system after two years of operation included encryption regulations and macro-economic unease on the part of would-be implementers. Paperless trade was clearly faster, cheaper and more secure than paper-based transactions. However, the most important problem for the implementation of the system was considered to be people's attitude to change from their traditional habits.

16. Experts acknowledged that, while legislative initiatives by national Governments and international organizations were continuing with a view to establishing the necessary legal framework, the possibilities of contractual arrangements would need to be further explored. It was recognized that contractual terms and conditions could not be used to overcome all legal obstacles and uncertainties arising from the use of electronic commerce, but they could nevertheless play an important role in this context. Unlike laws and regulations, they could be easily adapted to technological changes. Such contracts could also serve as a source of knowledge for Governments in making changes or adjustments to the legal framework. References were also made to the recently adopted international instruments applicable to different modes of transport that permitted the use of electronic transport documents.

C. Future direction

17. The Meeting provided an excellent opportunity for an exchange of views among experts and representatives of international governmental and non-governmental organizations. It was an important occasion for taking stock of commercial, operational and legal developments at the national and international level. It enabled participants to give consideration to the various aspects of electronic commerce in the context of international transport services, including their impact, problem areas and possible solutions. The discussions of the experts resulted in the agreed set of recommendations for national Governments, enterprises, the international community and UNCTAD.

Chapter III

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

18. The Expert Meeting on Electronic Commerce and International Transport Services: Best Practices for Enhancing the Competitiveness of Developing Countries was held at the Palais des Nations, Geneva, from 26 to 28 September 2001.

B. Election of officers

(Agenda item 1)

19. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson: Ms. Joan Remsu (Canada)

Vice-Chairperson-cum- Rapporteur: Mr. Sugeng Rahardjo (Indonesia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

20. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.12/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Electronic commerce and international transport services
4. Adoption of the outcome of the Meeting

D. Documentation

21. For its consideration of the substantive agenda item, the Expert Meeting had before it a document prepared by the UNCTAD secretariat entitled: "Electronic commerce and international transport services" (TD/B/COM.3/EM.12/2).

E. Adoption of the outcome of the Meeting

(Agenda item 4)

22. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

1. Experts from the following States representatives of UNCTAD attended the Meeting:

Angola
Bahrain
Bangladesh
Benin
Bolivia
Burkina Faso
Cameroon
Canada
Cape Verde
China
Colombia
Costa Rica
Cuba
Democratic People's Republic of Korea
Democratic Republic of the Congo
Egypt
Finland
France
Gabon
Gambia
Georgia
Guinea
Honduras
India
Indonesia
Italy
Jamaica
Jordan
Kyrgyzstan
Lebanon
Lesotho
Madagascar
Malawi
Malaysia
Mali
Mexico
Morocco
Nepal
Nicaragua
Nigeria
Poland
Republic of Korea
Russian Federation
Rwanda
Saudi Arabia
Sweden
Thailand
Trinidad and Tobago
Turkey
Uganda
United Republic of Tanzania
Venezuela
Zambia
Zimbabwe

* For the list of participants, see TD/B/COM.3/EM.12/INF.1.

2. The following intergovernmental organizations were represented at the Meeting:

Arab Labour Organization
Intergovernmental Organisation for International Carriage by Rail

3. The following specialized agencies and related organizations were represented at the Meeting:

International Labour Organization
World Trade Organization

4. The Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, the Economic Commission for Africa and the Economic and Social Commission for Western Asia were represented at the Meeting.

5. The following non-governmental organizations were represented at the Meeting:

General Category

Exchange and Cooperation Centre for Latin America

Special Category

International Association of Ports and Harbours
International MultiModal Transport Association

6. The following special invitees attended the Meeting:

Ms. Ida Stier, Managing Director, Stier Shipagents, Las Palmas, Spain
Mr. Per Vestergaard Pedersen, Associate, Bech-Bruun Dragsted Law Firm, Denmark
Mr. Aaron Mak, Chief Executive Officer, Logistic Information Network Enterprise, Hong Kong
Mr. Samir Baradhi, Assistant General Manager, Babylos Insurance Company, S.A.L., Beirut, Lebanon

Panellists

Mr. Poul Bjerre, Maersk Sealand
Mr. Michael White, UPS Europe
Mr. Marcelo Burgos, Valencia Port Authority
Mr. Renaud Sorieul, UNCITRAL
Mr. Vincent O'Brien, Obrico Limited Global Trade and Finance
Mr. Alan Asay, Bolero Operations Limited

UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/COM.3/39
TD/B/COM.3/EM.13/3
4 December 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and Development
Sixth session
Geneva, 18-22 February 2002

REPORT OF THE EXPERT MEETING ON IMPROVING THE COMPETITIVENESS OF SMEs IN DEVELOPING COUNTRIES: THE ROLE OF FINANCE, INCLUDING E-FINANCE TO ENHANCE ENTERPRISE DEVELOPMENT

Held at the Palais des Nations, Geneva
22-24 October 2001

CONTENTS

Chapter **Page**

I. Outcome of the Expert Meeting 2

II. Chairperson's summary 9

III. Organizational matters 23

Annex

Attendance 25

GE.*200*053406*

ENG

Chapter I

OUTCOME OF THE EXPERT MEETING

1. The Expert Meeting on Improving the Competitiveness of SMEs in Developing Countries: The Role of Finance, including E-Finance, to Enhance Enterprise Development examined a range of issues for consideration by the Commission on Enterprise, Business Facilitation and Development pursuant to paragraphs 119 and 156 of the Bangkok Plan of Action (TD/386). Experts made presentations and exchanged views on trends in financial innovation and best practices at the international and national levels.

2. The experts noted that sustainable economic growth is strongly related to the rate of enterprise creation and technical innovation. Vigorous enterprise creation depends on a nation's entrepreneurial culture and the ease with which businesses can be started and financed.

3. They recognized that many financial institutions in developed and developing countries find it difficult to serve small and medium-sized enterprises (SMEs) because of high perceived risk and high transaction costs and lack of experienced personnel and appropriate corporate structures, which bias them against SMEs, including those created by women entrepreneurs. The key to securing access for SMEs is to improve the ability of financial institutions to seriously expand and make more efficient the delivery of financial products, both offline and online, for different segments of SMEs. It is important for financial institutions to know their markets and customer needs and offer packages of tailor-made products, as well as automatic and standardized ones.

4. They equally stressed that the advent of the Internet, with the possibility of achieving enormous efficiency gains, including much lower transaction costs, faster communication and unparalled networking opportunities, has brought about new opportunities and challenges for SME access to finance and in particular to e-finance.

5. The experts reviewed a number of innovations used by international and national financial institutions to facilitate SME finance. Local financial institutions in developed countries, which have been particularly successful in serving the SME market, have found that it is highly profitable. Their strategy is to improve their core competencies by adopting sophisticated credit techniques such as credit scoring, strengthening management and information systems and developing highly efficient automatic processes, efficient marketing and distribution, and developing close ties to clients. The experts also discussed complements to finance such as insurance and guarantee schemes that could increase a bank's ability and interest in terms of servicing SMEs. They considered how such innovations could be widely applied to developing countries, where the conditions for SME development are often much less favourable.

6. They also observed that in developing countries equity funds and especially venture capital funds have greater difficulty in serving SMEs or even identifying fundable ones. Such

difficulties severely limit the amount of equity and venture capital funds available to SMEs in developing countries and particularly in LDCs. In the case of the LDCs, there is a special need for public-private investment funds devoted to the support and promotion of SMEs and information infrastructure development.

7. During the second part of the meeting, the experts stressed the revolutionary impact of open Internet technologies and platforms on financial services. In particular, they discussed the development of online payments with or without the use of cards, Internet banking, e-trade finance and e-credit insurance. The discussion centred on adapting these online financial services to the needs of SMEs and in particular SMEs from developing and transition economies.

8. The experts paid special attention to a number of innovations in the financial industry to reduce costs and risks, including modern Internet-based data mining technologies making it possible to build up huge credit information databases and apply modern credit analysis and related credit appraisal, scoring and rating techniques, permitting the appraisal of SME credit risks and the rapid processing of their credit applications. They considered how those innovations could be introduced or further developed in developing countries.

9. They agreed that the provision of medium and long-term finance should be closely linked to the delivery of business development services so as to improve both the viability of SMEs and their ability to repay loans. They urged that partnerships be struck between financial institutions, business associations, networks of entrepreneurs and business development service providers.

10. Lastly, they noted that the international financial system can influence the availability of domestic and external resources and in particular long-term finance for productive purposes in developing countries. They therefore requested that their recommendations on ways and means of increasing SME access to finance should be made available to the next preparatory meeting of the forthcoming UN conference on Financing for Development in Monterrey, Mexico, in March 2002.

11. The experts examined a number of best practices that can facilitate SME access to finance and recommended the following for consideration by:

Governments

Finance

(a) Maintaining prudential supervision of the financial sector, taking into account the specific requirements for medium and long-term investment finance for SMEs, and ensuring that commercial lending to SMEs is on a sustainable basis;

(b) Avoiding crowding out of the private sector by excessive borrowing from national financial institutions;

(c) Designing loan guarantee schemes that reach target beneficiaries, ensure balanced risk sharing and avoid moral hazard;

(d) Requiring commercial banks to disclose the composition of their loan portfolios, particularly the percentage of loans going to SMEs ;

(e) Encouraging banks to implement good corporate governance practices and transparent procedures and, within this framework, to appoint independent outside experts with a knowledge of SMEs to their boards of directors;

(f) Improving the reliability of financial information provided by SMEs by adopting user-friendly accounting and reporting requirements;

(g) Promoting an institutional framework for SME support services;

(h) Supporting public-private sector partnerships for SME venture capital funds and investment funds ensuring a level playing field for all market participants;

(i) Adopting regulatory and legal frameworks that allow for the establishment and best use of financial sector infrastructure such as credit bureaus and other information sharing solutions, while maintaining appropriate privacy laws;

(j) Creating conditions for promoting local capital markets;

Public and private sector

E-finance

(k) Creating a technology-neutral e-commerce and e-finance friendly regulatory environment and developing secure methods of electronic transmission of commercial messages, e-signatures and e-contracts, which should be considered as legally binding by contracting parties;

(l) Adopting flexible regulations and creating a supportive institutional environment to encourage the introduction of e-payments, Internet banking, online trade finance and credit information and other e-finance relevant to SMEs in developing and transition economies and ensure public private cooperation in that respect;

(m) Developing a conceptual framework to allow systematic collection of data on e-finance;

(n) Encouraging a variety of partnerships and joint ventures between local and foreign e-finance service providers in order to ensure the possibility of rendering efficient services to customers at local, regional and global levels;

(o) Improving international coordination among national financial supervisory authorities to better manage systemic risks related to the borderless nature of e-finance;

(p) Developing online credit information, credit scoring and rating databases for SMEs from developing and transition economies to facilitate and shorten their credit appraisal process and hence improve their access to finance and e-finance both locally and internationally;

(q) Creating local, regional and global e-finance platforms with the active participation of financial service providers and other companies from developing countries and making them accessible to developing country SMEs;

(r) Developing online business development and information services and supporting capacity building for SMEs in respect of getting online access to business opportunities and facilitating online matching of best conditions for their financing requirements;

(s) Supporting SMEs in acquiring technologies and skills required to pay and be paid online, as well as entering into longer-term trade-related e-financing arrangements;

(t) Laying foundations to develop a strategy for online access to longer term e-finance for SMEs;

(u) Developing alternative bilateral and multilateral online payments and financing arrangements, such as online clearinghouses, and making it possible to expand productive and trading frontiers of SMEs from developing and transition countries;

Development agencies and international financial institutions

(v) Bringing the recommendations of the Expert Meeting to the attention of Governments and national development finance institutions;

(w) Bringing the outcome of the Expert Meeting to the attention of the forthcoming UN Conference on Financing for Development in Mexico;

(x) Supporting SME associations in setting up infrastructure to collate and update SME data;

Finance

(y) Developing, whenever appropriate, debt swaps within existing aid budgets as a means of strengthening local financial institutions by providing them with medium and long-term finance for SMEs, also taking into consideration finance

and guarantee schemes in local currency. Debt swaps should also be used to provide business development services. This could be useful to complement the HIPC debt alleviation facility and for countries not benefiting from the facility. When dealing with capacity building, development agencies should be ready to enter into full partnerships with public and private stakeholders and share risks and responsibilities;

(z) Promoting user-friendly accounting and reporting systems for SMEs that would provide uniform (within the country) and useful financial information to managers, creditors and investors;

(aa) Disseminating information on financial innovations and assisting commercial banks in developing core competencies in credit policy making, risk management, credit information and management systems, and efficient marketing and distribution;

(bb) Developing strengthening programmes that assist commercial banks in developing countries to train bank management and staff to better appraise SME credit risk, particularly in the case of women entrepreneurs;

(cc) Encouraging banks to develop contractual relations with business development service providers to better identify opportunities and to provide efficient follow-up services;

(dd) Joining with Governments and private partners in creating public-private venture capital funds and investment banks to assist SMEs;

(ee) Urging development banks to adopt a sectoral approach to:

(i) Policy dialogue with Governments and domestic national banks to create an enabling environment for SME support;

(ii) Long-term assistance through loans and equity to local institutions with a perspective of long-term sustainability;

(iii) Complementary capacity building for financial institutions and SMEs via business development service providers;

(ff) Developing common standards and systems to link commercial banks and micro-finance institutions to increase outreach and accelerate the mainstreaming of productive poor into the formal financial system;

E-finance

(gg) Facilitating, through policy dialogue, financing and technical cooperation, the introduction of a technology-neutral regulatory and institutional environment for e-finance;

(hh) Encouraging, through training, co-financing and various partnerships between local and international financial service providers, the introduction of e-finance and related financial innovation by banks and other financial service providers from developing and transition countries and thus demonstrating to them possibilities to tap into e-finance related efficiency gains;

(ii) Participating through co-financing and technical assistance in the creation of local and regional e-finance platforms of various types with a view to improving the quality of services rendered to SMEs and other customers;

(jj) Assisting the SME sector in developing and transition economies to acquire e-finance related technologies and skills as a part of improving their competitiveness and participation in the global economy;

(kk) Supporting Governments, public and private sector entities and NGOs in fulfilling the above-mentioned recommendations on e-finance;

(ll) Doing a more effective job of networking and creating clearing houses for information and experiences relating to types of infrastructure to support e-finance, in close consultation with private market participants;

(mm) Exploring a more structured approach to transfer of knowledge and training and associated cooperation between public agencies;

Commission on Enterprise, Business Facilitation and Development

(nn) Selecting a topic for the next two years which develops coherent approaches to SME finance, e-finance and non-financial business support services, taking into consideration the work of other agencies, in order to contribute to the effectiveness of UNCTAD's research, intergovernmental discussions and technical cooperation and ultimately to UNCTAD XI;

UNCTAD

(oo) Continuing its research on financing for SMEs particularly in the fields of new technology acquisition, export credit, e-finance and e-economy, which are critical for the competitiveness of SMEs and their participation in the global economy;

Finance

(pp) Completing its work on a user-friendly accounting framework for SMEs that will allow them to produce transparent, reliable and uniform financial and business information and reporting back to the Commission as soon as possible;

(qq) Ensuring, in its technical cooperation programmes for entrepreneurship, that business development services are linked to financial services and developing the necessary products and services within its programmes in order to facilitate this;

(rr) Developing, together with other relevant international agencies, programmes for women entrepreneurs to facilitate their access to finance, extrabudgetary funds permitting;

E-finance

(ss) Continuing systematic research into various online financial services and their impact on economic development and in particular on opportunities opened up for SMEs to improve their access to finance and e-finance;

(tt) Organizing regular fora, including regional seminars and group training, to sensitize governments, central banks, financial service providers and the corporate sector in developing and transition countries to the advantages of electronic finance at the local, regional and global levels;

(uu) Incorporating the aspects of e-finance that are more relevant to the needs of SMEs into UNCTAD technical cooperation activities in the area of e-commerce, and ensuring coordination and synergies with other international organizations active in this field;

(vv) Encouraging Governments, central banks and financial institutions to collect information on e-finance and using it for analysis, intergovernmental deliberations and technical cooperation.

Chapter II

CHAIRPERSON'S SUMMARY

12. The Deputy Secretary-General of UNCTAD noted that the theme of SMEs' access to finance was high on the international agenda of urgent issues. While major strides had been made to ease access to finance in developed countries, this was still not the case in developing countries. Much needed to be done to convince traditional creditors and investors that doing business with SMEs could be profitable.

13. Many financial innovations depended on advances in information technology. E-finance could offer many new opportunities if the appropriate regulatory framework was in place and capacity-building programmes for SMEs were available. He was confident that the experts would thoroughly review the questions of finance and e-finance and that the outcome of the Meeting would be directly relevant to the forthcoming international conference on Financing for Development to be held in Monterrey, Mexico, in March 2002.

A. Finance for SMEs

Innovative approaches in commercial banking

14. The experts began their consideration of financing for SMEs with a panel on innovative approaches and successful programmes in commercial banking. The lead panellist underlined the fact that sustainable economic growth was strongly related to the rate of enterprise creation and technical innovation. Vigorous enterprise creation depended on a nation's entrepreneurial culture and the ease with which businesses could be started and financed. There was an empirical relation between a slowdown in an economy and a lack of growth of new enterprises. Panellists from international and national institutions stressed the importance of a dynamic process of SME creation. They emphasized that lending to SMEs could be highly profitable if banks knew the market and customer needs. It was necessary for banks to segment the market and offer a package of products suited to the client. In order to do this, banks had to be close to their clients and have a well-developed branch network, as in the case of the German Savings Banks or Swedbank.

15. Surveys had shown that SMEs needed to know their local banker and valued a personalized service. The challenge for banks oriented to SMEs was therefore to blend the two approaches, i.e. using information technology (IT) to cut service costs and at the same time developing personalized services. The key to maintaining such a balance, according to the experts, was to segment the SME clients, reserving "high touch" service for the most profitable clients while encouraging the marginally profitable customers to use automated delivery channels.

16. In order to segment the market and offer the right package of products using the right approach (high touch vs. IT), national banks had to concentrate on certain core competences. These competences were developed by:

- Adopting sophisticated credit policies: using credit appraisal techniques such as credit scoring and risk-oriented pricing;
- Strengthening management and information systems;
- Developing highly efficient automatic processes, as well as efficient marketing and distribution;
- Developing close ties with clients.

17. Such an approach had helped commercial banks in developed countries to begin to service SMEs and at the same time to make a profit. However, to reach the SME sector effectively, training bank management and staff was essential because only experienced staff could provide good service and judge risks.

18. Examples were given of financial innovations in developing countries, particularly by the Small Industry Development Bank of India (SIDBI). SIDBI, in collaboration with the Indian Banks Association and the National Institute of Bank Management, had organized a number of bank manager sensitization programmes for financing of SMEs. SIDBI had also developed special programmes for financing technology upgrading and marketing. However, there was still a wide gap between the availability of working capital and long-term loans. In response, almost all Indian commercial banks had started giving composite loans (both term loans and working capital) under one roof. SIDBI also operated a National Equity Fund Scheme for projects of up to one million rupees with a 1% service charge. Along the same lines, SIDBI also ran Mahila Udyam Nidhi to assist women entrepreneurs. Numerous venture capital funds had been set up by public and private financial institutions. Apart from setting up 10 regional venture capital funds, one national fund and one overseas fund for 11 industries, SIDBI was now setting up a special venture capital fund dedicated to biotechnology. To meet the problem of delayed payment of bills, commercial banks discounted them under the Bills Marketing Scheme with a rediscounting facility from SIDBI.

19. The most successful local banks had found it necessary to combine business development services with their financial services. Depending on their size and capabilities, they either provided these business development services in-house or entered into a partnership with business development service providers to serve their SME clients. It was often possible to outsource credit appraisal and monitoring, as well as the provision of business services such as business plans, accounting, marketing, etc. Business services made SMEs more creditworthy or attractive to investors, but the experts noted that someone must pay for these services.

20. International and regional financial institutions were also rethinking their approach in order to encourage their affiliates and partners to service SMEs. In developing countries, there was competition among financial institutions for traditional corporate clients. Many financial institutions therefore recognized the need to move down-market to SMEs, but the question was how to do it profitably. International financial institutions were concentrating on providing the financial infrastructure to selected national financial institutions and

encouraging them to leverage financial, information and communication technologies to reduce transaction costs and improve portfolio risk management.

21. It was acknowledged by a number of experts that commercial banks had little incentive to lend to SMEs and that they preferred to keep their funds in treasury bills. Until the public sector stopped crowding out the private sector, it would be very difficult to start a widespread movement among commercial banks to lend to SMEs. It was also noted that international prudential requirements would cause local banks to tighten their credit rating systems, thus increasing their costs and thereby reducing their ability to lend to SMEs. The proposed new Basel accord on the amount of capital that banks must hold threatened to choke off finance for small and medium-size enterprises.

22. Regional development banks such as the Asian Development Bank were offering credit lines of up to 15 years to local financial institutions, which were then able to provide long-term finance to SMEs, rather than merely short-term finance. However, these loans were in foreign currency, thus obligating the national banks to restrict lending to those SMEs earning foreign currency. The experts agreed it was preferable that the international financial institutions should provide local currency loans so that the risk of devaluation was borne by the international financial institution rather than by the receiving financial institution. Most SMEs did not earn foreign exchange and thus would otherwise be exposed to currency risk. One difficulty in servicing the SME sector was the lack of reliable and transparent financial information and the need to develop a user-friendly accounting system for SMEs that could generate information for creditors, investors and SME managers.

Equity and venture capital

23. The second session dealt with equity and venture capital for SMEs and complements to finance, such as credit insurance, which could help SMEs to enhance their access to finance, especially long-term funds. Among the issues discussed by experts in this session were: (i) elements of successful venture capital funds in reaching SMEs; (ii) advantages and disadvantages and latest trends in SME venture capital; and (iii) contribution of export credit insurance and guarantee schemes to increasing bank lending to SMEs.

24. Two experts provided accounts of the Small Enterprise Assistance Funds (SEAF) operating in developing countries and economies in transition and those of the Chinese Development Bank.

25. The primary mission of SEAF was to provide private equity financing for SMEs in underserved markets, generating commercial returns. It was underlined that, without commercial returns, the venture capital industry would not be able to attract private capital and would not be sustainable over the long term. An ultimate goal of SEAF was to promote the creation of capital markets for SMEs, which in developing countries remained underdeveloped. SEAF managed 14 funds for multilateral and private investors. The average investment in a company was US$ 300,000.

26. In China, the Government had implemented a number of measures to encourage venture capital funds and SME development since 1999. Such measures were part of the new emphasis on helping SMEs at the start-up and grow-up stages. The measures included encouraging technology innovation; increasing fiscal and taxation support; setting up a credit guarantee system; and improving social service organizations (e.g. pension funds). In the last two years, China's venture capital funds had increased significantly in terms of both the number of companies involved and the volume of funds. However, the venture capital industry remained quite limited in China, as most venture capital financing still came from the Government. The Chinese Development Bank (CDB) had been providing supplementary funding (long-term loans) and financial advice to help venture capital companies to attract more funds.

27. Special emphasis was put on the key elements of a successful SME venture capital fund:

- Experienced fund managers;
- Significant and high-quality deal flow;
- Professional business managers in enterprises;
- Adequate deal size in order to pay back completely the equity investment made by the shareholders;
- Some form of additional training, market opening, technology, etc., along with equity capital;
- Collaboration with technical assistance providers.

28. The advantages of SME venture capital funds were the following: they could provide extremely profitable returns if run properly; they provided growth capital for SMEs that normally did not have access to stock markets and, frequently, were over-leveraged companies; and they provided managerial and technical assistance to talented entrepreneurs. Nevertheless, SME venture capital funds also had disadvantages. They were not appropriate for all SMEs, particularly for smaller ones. Unless a company could generate cash flows to pay for technical and managerial assistance, venture capital funds were not a cost-effective method. In addition, venture capital required significant involvement of fund managers in mentoring and supporting SMEs.

29. Experts observed that, in developing countries, equity funds and especially venture capital funds had greater difficulties in servicing SMEs and even identifying fundable ones. The required rates of return for investments in developing countries were very high, thus disqualifying most potential investments.

30. It was also noted that, since developing countries had illiquid markets, exit strategies were a difficult issue for SME venture capital funds. In the case of SEAF, the fund actively

searched for prospective exit opportunities such as a strategic purchase by a competing firm even before making the initial investment.

31. The experts focused on mechanisms that could be used to bridge the gap between the lack of business competence of SMEs in developing countries and the requirements of commercial banks or private equity funds. They emphasized the importance of a competent and motivated management team for the success of an SME. They agreed that SMEs needed handholding in the pre- and post-finance stages. In such cases, donor agencies and business development service providers could play a key role through programmes dedicated to strengthening SMEs in order to improve their creditworthiness. They agreed that there is a need for public-private investment funds devoted to the support and promotion of SMEs and information infrastructure development, especially in the LDCs.

32. The latest trends in private equity investment showed that there was a need to bring in private pension funds, insurers and investors who were looking for high returns in order to provide equity capital for SMEs. Governments had recognized the dynamic nature of the SME sector, which meant that there were more government funds for equity capital investment in SMEs. In addition, public and private sectors were entering partnerships to promote the investment of private funds.

Complements to finance: insurance

33. SMEs engaged in exporting must also have access to export credit insurance in order to cover both commercial and political risks.

34. COTUNACE, a Tunisian company, provided export insurance and bank guarantees to SMEs. Examples of services it had developed to serve SME clients included business advisory services and follow-up, and easier access to bank financing through guarantee conventions signed by COTUNACE with banks.

35. In 2000 the company had launched a new product: a Pre-Financing Export Guarantee. Through this instrument, COTUNACE guaranteed SME activities vis-à-vis banks. The role of this guarantee was to replace the traditional collateral demanded by banks with a pre-financing credit guarantee. The main objectives were to facilitate the access of SMEs to bank pre-financing with guarantees up to 80% of export orders and to facilitate exporting instead of subcontracting by SMEs.

36. COTUNACE had overcome the reluctance of banks to accept guarantees instead of collateral in three ways. Firstly, banks were allowed to come forward with their own SME customers (persuasion efforts). Secondly, COTUNACE rendered the system credible by paying quickly when there was a default problem. Thirdly, banks were under increasing pressure from COTUNACE and the Government to provide finance to SMEs. Furthermore, SMEs were aware that such a system existed and that guarantees could be financed by COTUNACE. Thus, persuasion had been combined with a credible guarantee system.

37. The experts discussed the use of guarantee schemes to increase bank lending to SMEs. Such schemes could reduce the risk perceived by banks when lending to SMEs and they could also have a positive impact on the prudential regulations imposed on banks. For example, in the case of defaults, rapid compensation from a guarantee scheme enabled banks to restore liquidity without waiting for the outcome of legal procedures.

38. However, many guarantee funds had failed in the past because of moral hazard problems, inadequate procedures that involved high administrative costs, inexperienced staff dealing with SME loan portfolios, and delays in paying claims to banks. In Africa, guarantee schemes had a political aspect whereby banks were often compelled to finance risky projects and sectors.

39. To avoid repeating past failures, guarantee schemes should be constructed on solid principles, such as:

- Additionality: the introduction of the guarantee had a significant role to play in the decision making process of banks in granting credit to those SMEs which had previously been rejected;
- Viability: ability to cover running costs as well as any losses;
- Credibility: the guarantee must be obtained easily in case of a default, and the fund should be run professionally;
- Trust: the guarantee scheme should inspire trust in all financial institutions and should foster long-term relationships between banks and borrowers.

40. It was underlined that export credit insurance and guarantee schemes could increase banks' appetite for servicing SMEs in developing countries, but they had to be combined with financial innovation and training at the bank and the guarantor levels and with business services at the SME level. Experts also emphasized that loan guarantee schemes should be designed so as to ensure that the target beneficiaries were reached, balanced risk sharing was ensured and moral hazard problems were avoided.

Combining business services with finance

41. The experts then considered the need to combine non-financial services (or business development services) with actual finance in order to ensure long-term and sustainable results in strengthening the SME sector.

42. They noted that in many cases the main obstacle for SMEs to access finance was not the shortage of finance, but the lack of well-formulated and sound business proposals that banks and investors would find creditworthy.

43. Critical skills needed to run a successful enterprise were described by one expert as a tripod: (1) product or service know-how; (2) marketing and sales ability; (3) finance and accounting skills. Business development services (BDS) aimed at strengthening the capacities of SME entrepreneurs in these areas had the potential to improve the attractiveness of SMEs. More professional management of SMEs improved their survival rate, thus reducing loan losses for banks. Well-formulated business plans, high-quality financial information, knowledge of available financial instruments and properly prepared loan applications all reduced the costs for banks of servicing SME clients.

44. Experts brought up the need for third party business appraisals for SMEs before they entered a bank and sought finance. This would involve a confidential assessment of the SME's business idea and options, covering the basic business idea, market potential, management ability, financial needs, security and repayment. SMEs would have a realistic picture of options available to them, and for banks the potential clients would already have been pre-screened.

45. The experts considered a number of business support services offered to SMEs. They noted that schemes involving business mentors had been particularly useful for SMEs. A mentor was someone who was experienced in the business of the SME concerned, trustworthy, professional and able to give up-to-date advice.

46. For a BDS provider to be useful, the services it provided needed to be of high quality. This was especially true in cases were partnerships between banks and BDS were promoted. If banks were to outsource some of their operations to BDS providers, they needed to have great confidence in the partner. These partnerships had the potential of improving SMEs' access to credit significantly by reducing the costs of lending for banks through the outsourcing of activities such as credit appraisal and monitoring of loans to BDS providers.

47. BDS services should not only focus on SMEs. Commercial banks also needed to develop their skills in working with SMEs. Experts noted that in many cases commercial banks lacked entrepreneurial spirit and tended to choose the easy and low risk option rather than to work with more challenging SME clients. BDS providers should therefore also aim to develop the entrepreneurial skills of bankers (intrapreneurship) and to promote their sensitivity towards SME clients.

48. Experts considered the need to subsidize the provision of business development services. It was noted that SMEs were often very reluctant customers of these services, since the advantages were not always directly apparent. It was noted that especially the initial contact between an SME and a service provider should be either free or inexpensive. However, at later stages SMEs should feel that the services they were receiving were worth their time and money (demand driven) and would thus be willing to pay for the services.

49. The experts also noted the need to promote an institutional framework for SME support services.

Governments and international organizations

50. On the role of Governments and international organizations in promoting SMEs' access to credit and the special difficulties faced by women entrepreneurs in accessing credit, a panel was chaired by the Minister for SMEs and Commerce of Senegal. In her opening statement the Minister outlined the financial environment that SMEs faced in Senegal and emphasized the need to actively support SMEs' access to credit and the importance of providing technical assistance to them. In Senegal, the Fund for Economic Promotion used instruments such as refinancing, guarantees and credit lines to improve SMEs access to credit, and in recent years a number of measures had been taken to improve the efficiency of the Fund. These included a communication strategy to strengthen partnerships with banks and SMEs, placing emphasis on hiring finance and banking experts, establishing systems to ensure managerial rigour, and improving the visibility of the fund and its products, especially among SMEs.

51. Experts further discussed the experiences of the Ugandan Government with programmes for improving SMEs' access to credit. Their success had depended on whether the final credit decisions were made on a commercial basis. Programmes in which the Government had provided funds for banks to on-lend to SMEs had resulted in mismanagement of the funds and had usually failed to reach the target groups. Schemes that had worked better were ones in which Governments had channelled funds (especially long-term resources) through the central bank, with commercial banks taking the full risk. The problem with this approach was that the credits were generally expensive by the time they reached SMEs, it did not solve the problem that SMEs faced with respect to lack of collateral, it depended on existing infrastructure and it did not promote innovations. Credit guarantee schemes in Uganda had worked relatively well. They brought in burden sharing and forced commercial banks to consider SME clients that otherwise would not have been eligible for credit. Equity financing had so far been limited, but represented a very promising initiative.

52. Experts emphasized the role of the Government in strengthening the financial system by adopting regulatory and legal frameworks that allowed for the establishment of financial sector infrastructure such as credit bureaus and other information sharing solutions, encouraged banks to implement good corporate governance practices and transparent management procedures, and created conditions for promoting local capital markets.

53. Experts noted a number ways to encourage commercial banks to lend to SMEs. These included requiring banks to disclose the composition of their loan portfolios, particularly the percentage of loans to SMEs, and encouraging banks to appoint outside experts with knowledge of SMEs to their board of directors.

54. Experts discussed the use of debt-swaps for international organizations as a means of strengthening local financial institutions by providing them with medium and long-term finance for SMEs and also using them to provide business development services. Experts noted that this could be a useful complement to the HIPC debt alleviation facility.

55. Experts discussed the need to develop common standards and systems to link commercial banks and micro-finance institutions to increase outreach and accelerate the mainstreaming of productive poor into the formal financial sector.

56. Experts also noted the need for reliable SME data for reliable policy analysis.

Women entrepreneurs' access to credit

57. The experts considered the problems faced by women entrepreneurs in obtaining access to credit. Despite the active role of women as entrepreneurs and their good track record in repayment of loans, their share of loans remained marginal. Experts noted that women entrepreneurs faced hurdles in accessing credit that male entrepreneurs did not face. For example, women entrepreneurs were frequently asked questions regarding their marriage status and family plans that their male counterparts were not asked.

58. The experts examined successful programmes to improve women's access to credit. These included the Women's World Bank (WWB) that operated through 43 affiliates in 35 countries. WWB had improved women's access to credit through partnerships with local savings banks and group lending models to substitute for collateral, through guarantee schemes for emigrant women and by working with bankers to make them aware of discrimination that women faced in obtaining access to credit.

59. Experts also considered it necessary to increase the number of women as advisers and staff in bank to improve banks' awareness of and capability to work with women entrepreneurs.

60. The experts discussed the special problems women entrepreneurs in developing countries faced in obtaining formal credit. For example, in Honduras women were usually restricted to obtaining credit from informal sources at very high rates of interest. The congress of Honduras was considering the creation of a Women's Popular Bank to improve women entrepreneurs' access to medium and long-term credit in both rural and urban areas.

B. E-finance for SMEs

61. Part two of the Expert Meeting was opened by the Director of the Division of Services Infrastructure for Development and Trade Efficiency (SITE). He briefly overviewed the importance of e-finance for the SMEs in developing and transition economies and stressed that the promised efficiencies of electronic commerce in developing countries would not materialize without investment in ICT infrastructure and in human resources, as well as adequate external debt relief. He also indicated that the papers of the e-finance for SMEs part of expert meeting were posted on the website of UNCTAD's e-commerce programme: www.unctad.org/ecommerce

62. The discussion on e-finance concentrated mainly on: the state of e-finance globally and in developing regions; the possibilities of global and regional e-finance platforms;

national experiences; and the prospects for improving SMEs' access to e-finance in developing and transition economies

The state of e-finance

63. Two leading experts and UNCTAD consultants on e-finance maintained that financial services were among those sectors most transformed by the advent of the Internet. They discussed progress in online payments, Internet banking, digital cash, e-trade finance, e-credit information systems, and others. They agreed that the banking system alone would not be able to provide comprehensive solutions for cyberfinance. Solutions were emerging as a result of competitive pressures from the pure technology companies or dot.com newcomers and as a result of aggressive Internet e-finance development strategies of traditional service providers. Adopting e-commerce in the financial sector was a complex process with many hidden costs, including the need for new levels of intermediation.

64. Even today, in developed countries 80 per cent of all small payments were still in cash. On-line retailing or business-to-consumer e-commerce (B2C) relied predominantly on the credit card as a means of e-payment. Credit cards were convenient as they provided for international cross-currency payments, the main credit card brands were generally recognized and deemed trustworthy, and bankers already had experience with credit-card-holder-not-present payments in mail/telephone order retail before the advent of Internet based e-commerce. No dominant mode had yet emerged for online payments in business-to-business e-commerce (B2B). The development of online modes of automated clearing house payment systems (ACH) was important for online transfer of large funds. In order for these to take off, legal changes accommodating e-commerce practice needed to be in place and a public key infrastructure (PKI) system was necessary.

65. Developing countries were still disadvantaged in terms of participating in this process because of their underdeveloped banking systems and low credit card penetration. However, the possibilities for leapfrogging were substantial, as Internet-based technology was still less expensive than traditional technology. Although e-finance was at an early stage, especially in developing and transition economies, it had the potential to dominate global finance in the coming years, hence the far-reaching implications for developing countries' SMEs and their financial institutions.

Global and regional e-finance solutions

66. According to the representatives of two major credit insurers, Coface and Gerling Namur, third party online credit risk management, particularly through credit insurance, was becoming an important constituent part of e-finance. Even in traditional finance, poor credit information resulted in the perceived risk of doing business with SMEs in developing countries being greater than the real risk. Traders in developed countries found it difficult to extend trade credit to traders from developing countries if there was no credit information on the latter. The Internet had great potential in terms of improving the situation by making credit information, and therefore credit ratings, accessible to developing country SMEs. As a

result of improved transparency, SMEs might be listed in online credit information and rating databases and improve their access to trade finance. The Coface *a* rating system was one of the biggest private sector initiatives to monitor online millions of SMEs, including those from emerging economies, and provide them with credit limits.

67. From the perspective of the representative of Citibank, e-finance would not bring any new finance for SMEs if their credit risk remained the same. SMEs had to face a number of challenges, including high trade barriers, lack of technological know-how, and inadequate access to financing and information. While credit rating was an important area, other issues, such as management quality, were also significant when extending finance to SMEs. E-commerce and e-finance were parts of many SMEs' future, as their larger trading partners in developed countries were adopting these practices and would exclude partners that failed to comply with the new technological standards.

68. Paradoxically, microfinance, including lending to individuals or very small SMEs, was better organized at the regional and global levels than traditional SME finance, in spite of the fact that this lending was frequently offered without collateral. The representative of Virtual Micro-finance Market and Pride Africa explored new approaches needed to embrace this economic segment and extend finance, in particular the active use of Internet-based platforms. The Virtual Microfinance Market resided on a website developed in UNCTAD. This particular e-finance application provided various types of information about Micro-finance institutions (MFIs), including information related to their reliability, thus permitting internationally known financial institutions to fund MFIs more frequently and more quickly than in the past.

69. As the practice of microfinance had shown, the traditional development finance approach did not give the desired results. In Africa, half of all economic activity was in the informal sector, which was out of reach of formal financing and its institutions. A more promising approach would be to establish a network of MFIs based on a replicable and successful model. This network could develop linkages with the formal financial sector and among individual MFIs. Existing and new technologies could be tested for their appropriateness and banks spared from having to deal with thousands of small clients.

70. The expert on regional e-commerce from the Philippines stressed the importance of SMEs developing electronic back-offices. In order to participate in e-commerce in the framework of global and regional supply chains, SMEs had to face the challenge of meeting standards applied by TNCs. Otherwise they risked being technologically excluded. While, so far, all e-commerce failures had had their roots essentially in technology deployment issues, future success would depend on implementation of legal and public key infrastructure. Legally enforceable digital signatures were key to enforcing global standards. At present global standards were lacking, and this was creating a problem of redundant costs caused by the need to have proprietary solutions. The availability of real-time financial risk information called for consequential adaptation of financial risk management products. Thus many trade credit and credit information institutions were willing to expand their activities and become B2B clearing houses or markets.

71. The experts also expressed their concern that, although many schemes were in place, little if any additional financial flows were generated. Leveling the playing field for businesses worldwide was an easily assumed characteristic of the Internet. However, given concerns about the growing global digital divide and the marginalization of LDCs in global trade, it was not clear if a unitary approach could be taken to suggesting policy options or best practices for LDCs and their SMEs.

72. The accountability of rating agencies for the quality of their ratings, as well as their ability to continuously update the ratings of the millions of businesses in their databases, was also questioned. While e-commerce was not a panacea, its full-fledged adoption by the main global trading partners was going forward. Developing countries therefore needed to reassess their technical assistance focus. They had to require more e-commerce and e-development-centred assistance to be able to adopt e-commerce-compatible legislation and re-engineer government administration currently bogged down in paperwork and red tape. Equally SMEs needed to adopt e-commerce practices, invest in IT and retrain their personnel to benefit from the efficiency of e-commerce. Experts also stressed the potential of mobile e-commerce, as mobile telephony provided secure hardware and a billing system that could be utilized for commercial transactions other than telecommunications.

National e-finance experiences

73. An expert representing a leading Indian banking institution active in e-finance pointed out that in India lending to SMEs was a risky proposition due to SMEs' lack of collateral, their inability to provide quality data, and the low company survival rate. Traditional banking could not adequately serve this market. E-banking, in contrast, could capitalize on the linkages that SMEs had with parent corporations as supply chain partners. A corporation could create a B2B platform involving an e-finance network, permitting SME participation in e-banking and making SMEs more creditworthy. Furthermore, e-banking led to significant cost reductions through lower cost of delivery, speed and wider reach, while online credit information tools facilitated transaction analysis and risk mitigation. Savings could then be transferred to SMEs in the form of lower interest rates.

74. The representative of a leading Brazilian bank explained that the payment system in Brazil was very efficient and comparable to those in developed countries thanks to the heavy investments in IT made by leading Brazilian commercial banks in the high inflation years. An efficient payment system was the basis for e-finance and e-commerce. Brazil also had a relatively high Internet and e-banking penetration rate, with greater focus on transactions and payments than on credit and loans. In particular, e-banking allowed current account management, payment of salaries, collection of receivables, payment of suppliers, credit-related services and expense account management. Crucial issues for the development of e-finance were the adoption of compatible regulations for e-finance in Mercosur countries and the adoption of laws and regulations for digital signatures for loans and other financial transactions.

75. The "Coalition" project presented by an expert from Mexico represented a concrete way to solve SME financing problems by leveraging on the special relationship that they had with large well-established enterprises. Upon delivery of materials, services or products, SMEs obtained documents from buyers, normally large corporations, which were regarded as a sort of guarantee by a bank ready to cash them in advance of the due date. This system benefited all participants, because guarantor corporations did not have to worry that SMEs might go bankrupt because of a cash-flow problem, while banks attracted new customers or helped existing customers make more business.

76. An expert from Bangladesh pointed out that over 50 per cent of SMEs from Bangladesh had no access to any form of formal finance. ICT could play an important role in helping remove this major obstacle to SME growth. A first concrete project was the introduction of innovative e-finance services specially designed for SMEs through the use of smart cards and the development of a point-of-sale network. A second important initiative was being taken to address the most important barrier in getting access to finance in Bangladesh: lack of collateral. In this respect, Bangladesh was planning to create a countrywide, inexpensive, electronic public records system that would allow individuals to retrieve information about all movable property claims. A new law would then strengthen the enforcement system for creditors. Finally, in order to overcome the lack of reliable and validated business-related information, a new electronic business information system – accessible from anywhere in the country – would be implemented in stages from 2002 to 2008.

The prospects for e-finance

77. Experts from the World Bank and Amsterdam University maintained that e-finance was not limited to industrial countries and advanced emerging markets, but instead offered opportunities to leapfrog to countries with underdeveloped financial systems. In Africa electronic cash and other smart cards offered savings and payment services to low-income customers—including those in remote areas—who often did not even have formal bank accounts. However, realizing the gains would require changing public policies toward financial services. The most pressing policy issues related to an enabling regulatory environment for e-finance. Adjustments were needed in approaches to telecommunications, security and related infrastructure for electronic transactions, information and privacy, and contract enforcement. In addition, steps had to be taken to minimize risks for consumers and investors, adjust prudential regulation and improve the performance of markets.

78. The representative of the Bank for International Settlements presented the possible implications of e-finance for banks and other financial institutions, as well as for financial markets. Exactly how these developments would take place and at what speed they would unfold was quite uncertain. These uncertainties could have potentially destabilizing effects on the financial systems and thus posed challenges to central banks and financial supervisors, among other things in respect of the level of their international cooperation. Responding to these challenges required a technology-neutral regulatory and institutional framework that would make it possible to reap the full benefit of e-finance without stifling innovation. One

obstacle in developing this new framework was the lack of reliable data on e-finance itself. But before new data collection systems were considered, a clearer conceptual framework was needed to pose relevant questions, and the help of the private sector and the academic community was needed in this endeavour. In this context, it was all the more important to have regular and in-depth exchanges of information between central banks, supervisors and private market players.

79. Finally, in assessing the future of e-finance, a practitioner from India stressed lack of finance as the premier constraint on SME growth. The main problems in this connection were lack of collateral and lack of reliable information on SMEs, which, compounded with smaller fund requirements per deal, made the transaction costs of funding SMEs excessively high. Fortunately, Internet technologies provided a feasible solution to these problems. The solution lay in leveraging Internet technologies and involving SME associations in the collation of basic data. This initiative could be complemented by policy initiatives such as mandating public sector units and public listed companies to collate basic information on all SMEs associated with them and requiring that industrial parks have a database on SMEs operating under their aegis to qualify for preferential fiscal treatment. Once reliable information on SME business was captured, a basic identity for SMEs could be established, and credible transaction histories could be generated, paving the way for e-finance.

80. Some experts also noted that the banking industry thrived on operational inefficiencies (floats and intermediation fees) that existed due to information asymmetry in the vendor-client relationship. It was estimated that e-finance could reduce the margins of the financial services industry by almost 50% in several developing countries. Hence, the banking sector had inherent reservations about encouraging digital efficiencies. In the short term, therefore, trade entities should come up with major initiatives in the area of e-finance to create competitive pressures on banks.

81. Finally, while one expert emphasized the importance for developing countries of knowing which changes they should introduce in their financial regulations before launching e-banking, another did not agree that the regulatory environment was of fundamental importance to start e-banking, citing as an example the case of Mexico where, in spite of a public sector guarantee on savings deposited with any type of bank, customers were still reluctant to put savings in pure Internet banks "because they did not trust a non-physical entity". In that respect experts also touched on security issues and in particular PKI, including the quality of certification authorities and the possible role of Governments in that process.

Chapter III

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

82. The Expert Meeting on Improving the Competitiveness of SMEs in Developing Countries: The Role of Finance, including E-finance, to Enhance Enterprise Development, was held at the Palais des Nations, Geneva, from 22 to 24 October 2001.

B. Election of officers

(Agenda item 1)

83. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson: Mr. Paul Frix (Belgium)

Vice-Chairperson-cum- Rapporteur: Mr. Edsel Custodio (Philippines)

C. Adoption of the agenda and organization of work

(Agenda item 2)

84. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.13/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Improving the competitiveness of SMEs in developing countries: The role of finance, including e-finance, to enhance enterprise development
4. Adoption of the outcome of the Meeting

D. Documentation

85. For its consideration of the substantive agenda item, the Expert Meeting had before it an issues paper prepared by the UNCTAD secretariat entitled: "Finance and e-finance for SMEs as a means to enhance their operations and competitiveness" (TD/B/COM.3/EM.13/2).

E. Adoption of the outcome of the Meeting

(Agenda item 4)

86. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

1. Experts from the following States representatives of UNCTAD attended the Meeting:

Belarus
Belgium
Benin
Brazil
Chad
China
Costa Rica
Cuba
Denmark
Egypt
France
Germany
Ghana
Guinea-Bissau
Honduras
India
Ireland
Italy
Jordan
Kenya
Madagascar
Mexico
Morocco
Mozambique
Nigeria
Oman
Panama
Philippines
Qatar
Russian Federation
Saudi Arabia
Senegal
Spain
Sudan
Sweden
Switzerland
Syrian Arab Republic
Thailand
Togo
Trinidad and Tobago
Tunisia
Uganda
United Republic of Tanzania
United States of America
Venezuela

2. Palestine attended the Meeting as an observer.

3. The following intergovernmental organizations were represented at the Meeting:

European Community
Arab Labour Organization
Organization of the Islamic Conference

* For the list of participants, see TD/B/COM.3/EM.13/INF.1.

4. The following specialized agencies and related organizations were represented at the Meeting:

International Labour Organisation
International Monetary Fund
World Intellectual Property Organization
United Nations Industrial Development Organization

5. The Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, and the Department of Economic and Social Affairs were represented at the Meeting. The International Trade Centre was also represented at the Meeting.

6. The following non-governmental organizations were represented at the Meeting:

General Category

Exchange and Cooperation Centre for Latin America

Special Category

International Federation of University Women

7. The following panelists and special invitees attended the Meeting:

Ms. Aïchatou Agne Pouye, Minister for SIYEs and Trade, Senegal
Mr. John C. Bays, Regional Director, Small Enterprise Assistance Funds (SEAF), Bolivia
Mr. Håkan Berg, Executive Vice-President, Swedbank, Sweden
Ms. Inger Berggren Garnacho, President, Women's World Banking, Spain
Mr. Jérôme Cazes, Managing Director, COFACE, France
Mr. Stijn Claessens, Professor of International Finance, University of Amsterdam, Netherlands
Mr. Brian Dunsby, Senior Vice-President, International Council for Small Business, United Kingdom
Mr. Thomas Glaessner, Lead Financial Economist, World Bank, Washington, United States of America
Mr. Charles Goldfinger, Managing Director, Global Electronics Finance, Belgium
Mr. Sanjay Guglani, Managing Director, Saksham Financial Services Ltd., India
Mr. Cuno Güttler, Director, German Savings Bank Organization
Mr. Tom Harrison, British Executive Service Overseas (BESO), United Kingdom
Mr. Louis Kasakende, PhD., Deputy Governor, Bank of Uganda
Ms. Renate Kloeppinger-Todd, Global Finance Marketing Group, International Finance Cooperation
Mr. Sankar Krishnan, Vice-President and Regional Head, E-Business for Middle East,

South Asia and Africa, Citibank, Dubai, United Arab Emirates
Mr. Sushant Kumar, Head-SME, ICICI Bank, India
Mr. Sailendra Narain, Principal Advisor, World Association for Small and Medium Enterprises (WASME), India
Mr. R. Narasimham, Senior Project Officer, Asian Development Bank, Manila, Philippines
Mr. Antonio C.B. Oliveira, Executive Director, Banco Itaú, Brazil
Mr. Donald O'Mahony, Director, Networks and Telecommunications Research Group, Trinity College, Ireland
Mr. Mauricio de la Orta Pardo, Westbridge University and Banco Santander, Mexico
Mr. Pancho Otero, Member of the Advisory Board, Virtual Microfinance Market, Bolivia
Mr. François Perrin, Manager, Global Electronics Finance, France
Mr. Ananya Raihan, Research Fellow, Centre for Policy Dialogue, Bangladesh
Mr. Philippe Régnier, Director, Modern Research Center, University Development Studies Institute, Switzerland
Mr. Philippe Rennotte, Member of the Executive Board, Gerling Namur
Mr. Setsuya Sato, Senior Advisor, Bank for International Settlements, Basel, Switzerland
Mr. Jean Marie Vianney Nyirimihigo, Director-General, African Solidarity Fund, Rwanda
Ms. Rina de Villeda Bermudez, Inter-American Commission of Women, Honduras
Mr. Andrew Warner, Professor, Centre for International Development, Harvard University, United States of America
Mr. Moncef Zouari, CEO, Compagnie Tunisienne pour l'Assurance du Commerce Extérieur (COTUNACE), Tunisie

Specially invited

Mr. Ernest Ngome Ajang, Senior Accounts and Finance Officer, Cameroon TPO
Mr. Jean Bastin, President, Fondation Scientifique Jean Bastin a.s.b.l.
Mr. Robert Bedrikow, SERASA, Brazil
Mr. Jeremy Bullock, Financial Consultant, United Kingdom
Mr. Jaime Echegoyen, General Manager, Spain
Mr. Michael Firth, Chair Professor, Hong Kong
Mr. José Gabriel Hernandez Figueroa, Internet Division, Banco Santander Mexicano, Mexico
Ms. Tulay Gungen, Executive Vice-President, Yapi Credit Bank of Istanbul, Turkey
Mr. Ahmad M. Jachi, Chairman and Chief Executive, Al-Buhous Institute, Lebanon
Mr. Konstantin Karabanov, Consultant, Netherlands Economic Institute, Moscow Office, Russian Federation
Mr. Bruno Masier, President, World Trade Point Federation, Geneva

Mr. Pascal O'Dogherty, Director, Financial Analysis, Banco de Mexico
Ms. Maria Otero, President and CEO, ACCION International, United States of America
Mr. Pierre Paris, Consultant, Ministry of Foreign Affairs, France
Mr. Robert Parson, Head, Legal Team, CCEWeb Corporation, United Kingdom
Ms. Colette Schreiber, Vice-President, Les Femmes Chefs d'Entreprise (FCEM), France
Ms. Claudine Seynave, Fondation Scientifique Jean Bastin a.s.b.l.
Mr. Raymond W. So, Assistant Professor, Hong Kong
Mr. Kumar Sushant, Head SME, ICICI Bank, India
Mr. Jean-François Tarel, President, COFACE, Switzerland
Mr. Daniel Wyss, Director, Credit Suisse Banking, Switzerland

UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/COM.3/40
TD/B/COM.3/EM.14/3
11 December 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation and Development
Sixth session
Geneva, 18-22 February 2002

REPORT OF THE EXPERT MEETING ON MAINSTREAMING GENDER IN ORDER TO PROMOTE OPPORTUNITIES

Held at the Palais des Nations, Geneva
14 to 16 November 2001

CONTENTS

Chapter		Page
I.	Outcome of the Expert Meeting	2
II.	Chairperson's summary	9
III.	Organizational matters	17
Annex		
	Attendance	19

GE. * 2 0 0 1 0 5 3 4 1 9 *

ENG

Chapter I

OUTCOME OF THE EXPERT MEETING

1. Gender mainstreaming involves bringing the contribution, perspectives and priorities of both women and men to the centre of attention in the development arena in order to inform the design, implementation and outcomes of policies and programmes. It is a critical strategy not only in the pursuit of gender equality – a development goal in its own right – but also in the achievement of other development goals, including economic ones. Indeed, overlooking relevant gender factors in macroeconomic policies and institutions can undermine the successful outcome of those very same policies and institutions.

2. It was in this spirit – and in line with the 1995 Beijing Platform for Action, ECOSOC agreed conclusions 1997/17 of 1997, and the twenty-third special session of the General Assembly in 2000 – that the Expert Meeting on Mainstreaming Gender to Promote Opportunities proceeded.

3. The Expert Meeting identified the following policy options/recommendations for consideration by the Commission on Enterprise, Business Facilitation and Development, and requested that they also be brought to the attention of the Commission on Trade in Goods and Services, and Commodities and the Commission on Investment, Technology and Related Finance Issues.

A. Mainstreaming gender in the area of commodities

Policy options/recommendations addressed to governments

4. Governments should review laws, policies and administrative practices, including customary and traditional laws, to ensure equal access to land ownership, right to property and earnings, and credit in rural areas.

5. Governments should undertake proactive policies aimed at encouraging the creation of cooperatives and enterprises for women in order to facilitate their access to information, communication, technologies and trading networks.

6. Along with supporting gender-sensitive regular agricultural extension programmes, Governments should also initiate and support activities aimed at providing business support services, such as marketing and business planning, for women. Governments, via dialogue/guidelines/policy making, should ensure that gender aspects are included in extension services of both the public and the private sectors.

Recommendations addressed to the international community and UNCTAD

7. The international community should design and implement technical and financial assistance programmes with genuine consultations with local and national representatives of women's organizations.

8. The international community should increase efforts for adequate development assistance and strengthen the resources of the Common Fund for Commodities (CFC) to improve commodity development measures and support women in their activities.

9. UNCTAD should support women in the production and commercialization of high value added products in non-traditional export sectors such as production of fresh fruits and vegetables. In this respect, UNCTAD in cooperation with ITC should help countries organize national training workshops that will assist women producers to acquire expertise in achieving quality standards in each market segment in the importing country.

10. UNCTAD should liaise with national, regional and international organizations to promote thematic workshops of interest to women in the commodity sector across countries and other capacity building, including technical assistance programmes.

11. UNCTAD should seek ways and means to explore the potential and opportunities offered by the agro-tourism sector for rural women as a new way of doing business in rural areas.

12. UNCTAD should explore, in collaboration with relevant international organizations, the possibility for women to take advantage of biodiversity in developing countries and to have access to protection of intellectual property rights (IPR), for example with regard to forest products, methods and techniques of commodity processing and preservation, as well as other resources available.

B. Mainstreaming gender in trade in services

Policy options/recommendations addressed to Governments

13. Women's differentiated contribution to society and to the national and the international economy, particularly in all the service sectors, should be accounted for by better collection, classification and analysis of statistics and qualitative data to grasp the special characteristics of women's work in services, with market value or not, as well as the interlinkages generated in other sectors. This is the basis for appropriate tools to formulate adequate policies for social and gender equity in services.

14. The competitive profile of women in terms of skills should be improved by implementing direct programmes and by encouraging voluntary targeted actions by the business community in order to promote productivity in services as well as negotiating skills.

15. In the area of multilateral and regional negotiations, particular attention needs to be paid to the service sectors where women have a demonstrated capacity to supply services through the four modes of supply, namely transborder movement of services, consumer movement, establishment and investment, and movement of natural persons (for example, in such areas as health services, education services, and cultural and recreational services).

16. The participation of women in policy and decision making should be enhanced by improving their competencies/skills in leadership related to trade in services.

17. Policy-oriented studies on gender impacts of liberalization of the services sector need to be conducted, in cooperation with UNCTAD.

Recommendations addressed to the international community and UNCTAD

18. In order to increase the quality of service provision in some sectors, as well as improve the livelihoods of women providing services, it could be necessary for trade liberalization of services to be accompanied by appropriate international standards for business and professional qualifications and conduct. This would include, for instance, adoption of various ethic codes for recruitment or recognition of professional qualifications and competencies.

19. A methodology of sex-disaggregated data identification and ensuing collection of suitable information in the services sector needs to be designed and implemented, distinguishing trade and foreign owned activities wherever possible.

20. Transparency in the area of access to information at all levels should be enhanced.

C. Mainstreaming gender in FDI policy

Policy options/recommendations addressed to Governments

21. With respect to promoting gender equality, Governments should:

(a) Collect sex-disaggregated data on employment, wages, etc., which could assist policy makers in assessing the gender-differentiated impact of FDI;

(b) Assess FDI policies as they impact on gender equality; this includes looking at education, on-the-job training facilities and transfer of knowledge and technology;

(c) Examine gender-specific conditions in selected FDI-intensive industries and sectors;

22. With respect to promoting macro-economic and development goals, Governments should:

(a) Screen FDI flows for consistency with macroeconomic and development goals, including gender equality;

(b) Take into account the gender impact when designing FDI targeting programmes and strategies geared to attracting FDI into particular sectors and industries;

(c) Assess the gender implications of an "over-dependency" on exports;

(d) Promote gender-sensitivity and social responsibility of the private sector, in cooperation with the business community.

Recommendations addressed to the international community and UNCTAD

23. The international community and UNCTAD should:

(a) Collect and publicize best practice examples from different industries and countries that relate to employment equality (including recruitment, training, promotion and working conditions) in TNCs, especially in export processing free trade zones;

24. UNCTAD should:

(a) Integrate a gender perspective into all analysis and research, as well as in the advisory services related to FDI and its impact on host economies;

(b) Examine TNC subcontracting approaches in terms of the effects on supplier firms and the informal sector.

D. Mainstreaming gender in enterprise development

Policy options/recommendations addressed to governments

25. Governments should:

(a) Review and adapt laws and commercial regulations to enhance women's access to ownership and use of economic resources;

(b) Ensure that domestic financial institutions reach the underserved segment of women entrepreneurs by:

(i) Encouraging banks to report on the composition of their loan portfolios by size of enterprise and by sex;

(ii) Offering special credit lines for women entrepreneurs;

(iii) Providing both financial and non-financial services to women entrepreneurs by entering into partnerships with qualified business development service providers.

(c) Support the creation of national networks of women entrepreneurs and business associations.

Recommendations addressed to the international community and UNCTAD

26. The international community should:

(a) Improve women's access to finance through partnerships between international organizations, for example Women's World Banking, and women's business associations to increase the awareness of how financial innovations can remove barriers to finance;

(b) Promote training and mentoring programmes for bank management and staff in order to sensitize them to the needs of women entrepreneurs and the potential benefits of reaching this underserved market;

(c) Provide training through qualified business development service providers to improve the management and financial skills of women entrepreneurs so that they can effectively negotiate with creditors and investors;

(d) Establish within the Committee of Donor Agencies for Small and Medium-sized Enterprise Development a working group on women entrepreneurs in order to coordinate their approaches and develop best practices in their programmes serving women entrepreneurs.

27. UNCTAD, in cooperation with other international organizations, should:

(a) Promote regional networks of women entrepreneurs and business associations;

(b) Contribute to improving the coherence of policies and strategies, as well as other links, between enterprise development programmes of UN agencies;

(c) Together with ITU, study the feasibility of a cybermarket for women entrepreneurs and special training in e-commerce.

E. Mainstreaming gender in ICT policy

Policy options/recommendations addressed to Governments

28. Recognizing the public goods nature of knowledge and the Internet, Governments should ensure rapid, equitable and affordable access to the Internet and ICT for women by taking all appropriate measures such as:

(a) Establishing an appropriate infrastructure (through telecentres, Internet cafes, etc.) in order to facilitate women's access to the Internet;

(b) Providing computers and telecommunications at affordable prices to low-income families and specifically women entrepreneurs, as demonstrated by countries such as Pakistan;

(c) Involving local governments (in addition to the national Government) in reaching out to rural communities;

(d) Creating broad awareness raising programmes using mass media and targeting rural areas;

(e) Offering computer and language skills training specifically targeted at women; focusing on distance education at home or community centres; and offering training courses to women in telecentres at low cost;

(f) Training women in the methods and scope of setting up e-businesses and developing e-commerce;

(g) Promoting the capacity of women as managers and owners of telecentres;

(h) Introducing the appropriate language courses in primary schools;

(i) Providing Internet databases in local languages;

(j) Creating public-private partnerships to facilitate access via the Internet to foreign markets and potential business partners for women entrepreneurs.

29. They should enhance the number of women in the IT industry by:

(a) Increasing the enrolment of female students in ICT-related courses through specific promotion campaigns and scholarships;

(b) Ensuring the participation of women in the design and development of new technologies;

(c) Ensuring the representation of women in ICT policy making bodies.

30. They should support organizations and grassroot groups involved in assisting women with access and usage of the Internet and ICT.

Recommendations addressed to the international community and UNCTAD

31. The international community and UNCTAD should as a matter of urgency:

(a) Mainstream gender in their overall work on ICT and e-commerce;

(b) Promote ways in which ICT and e-commerce can create new economic opportunities for women and thus contribute towards increasing the competitiveness of developing countries;

(c) Identify gender-specific opportunities of the digital economy through analytical and case study-based work, including on such issues as: (i) the level of employment provided to women in ICT-related services sectors; (ii) the extent to which these sectors are involved in export; and (iii) the type of employment foreign firms provide in these services sectors, from a gender perspective;

(d) Collaborate with Governments and the private sector to incorporate the findings from their analytical work into policy dialogue and decision making;

(e) Develop programmes to facilitate women's access and use of ICT and e-commerce tools, specifically through transfer of technology and competitive scholarships;

(f) Promote ways to facilitate women's access to information and the use of ICT in local Government development, and the establishment of information management systems.

32. The Commission on Science and Technology for Development should formulate guidelines on increasing the participation of women in IT during the course of its work on its new substantive theme: Technology development and capacity building for competitiveness in a digital economy.

Chapter II

CHAIRPERSON'S SUMMARY

33. Opening the Expert Meeting, the Secretary-General of UNCTAD emphasized actions and strategies for promoting opportunities for women. These should be constantly determined within the context of people's personal lives. Inequalities between the sexes persisted in all countries with regard to both paid work and the distribution of household tasks. These and other forms of exploitation were also a cause of continuing underdevelopment. In reviewing economic opportunities for developing countries, therefore, it was important to recognize and accept the responsibility for identifying persistent gender inequalities in all their forms.

34. The representative of the Office of the Special Advisor on Gender Issues of the United Nations emphasized that gender mainstreaming was now well established as a global strategy for promoting gender equality. At the same time, simply increasing the numbers of women in the workforce was not a sufficient goal in itself, and gender mainstreaming had to be seen as an important process in achieving developmental goals at large, including economic goals; gender mainstreaming in macroeconomics and trade policies should be promoted not only because it was a matter of equality and human rights but also because it provided an important means of ensuring that the goals of macro-economic and trade policies and programmes were achieved. In short, gender mainstreaming simply made good economic sense.

35. The representative of IDRC, Canada, pointed out that, while it was now well understood that promoting gender equality was imperative from the human rights, poverty reduction and human development perspectives, the conceptual basis for gender perspectives in trade, competitiveness and enterprise development policy was sometimes not as clear. One reason for considering the gender dimension in relation to international trade was to ensure that efforts to improve general and sector-specific competitiveness were not hampered by the underestimation of women's contribution and consequent underinvestment in women's capabilities and underresourcing of women's activities. Another was to ensure that trade-related gains (and costs) were equitably shared.

A. Mainstreaming gender in FDI policy

36. The informal discussions were opened with a presentation prepared by the UNCTAD secretariat for the Expert Meeting on mainstreaming gender in the area of foreign direct investment (FDI). The key points in this presentation were the role of exports and FDI in the world economy, the role of employment related to FDI, and the gender dimension.

37. Several experts illustrated these key issues by describing specific experiences. For example, in Gambia during the 1980s, economic diversification had been largely led by foreign investment. Through channelling more FDI into export-oriented growing sectors, it was anticipated that women could be better enabled to take advantage of employment opportunities. For this purpose, specific targeted policies had been adopted on priority sectors

to attract FDI. However, despite low entry barriers, various financial and non-financial constraints still hampered the ability of women to reap the benefits from FDI.

38. In the State of New Jersey in the United States, FDI and business policy were designed to be gender-responsive not only to enhance FDI but also to improve the overall economic competitiveness of the State: special support services for women-owned businesses were provided by the Department of Commerce. The Office of Small Business guaranteed that small, women-owned and minority-owned enterprises were equitably represented throughout New Jersey's business landscape. A New Jersey State law fixed a goal of 3 per cent of all State contracts to be set aside for women-owned businesses. The targeting of FDI at research activities focused on products and services specific to women was also being considered, since for New Jersey FDI in R&D activities was significant.

39. The example of El Salvador illustrated the potential gender-related implications of export promotion policies based on EPZ incentives. In the 1970s, the Government had introduced legislation to promote FDI and national investment in export-oriented manufacturing activities, which had resulted in export diversification, access to new technology, and the development of local industrial zones around which other service providers settled. Women particularly benefited from the employment opportunities, with a share of about 80 per cent of new jobs, although that share had declined during the past five years to 70 per cent. It was noted that all of the free zones provided for the training and support of women, including recognition of their human rights.

40. In Malaysia, the Ministry of Women had undertaken the compilation of gender-disaggregated statistics in every Ministry. While the non-neutrality of FDI flows needed to be taken into account, depending on the sector that received the investment, the impact of FDI policy on gender goals as well as its impact on other development goals needed to be analysed.

41. In general, experts noted that the impact of FDI was not gender-neutral – since FDI flows could fall into sectors dominated either by women or men – and two aspects could be distinguished with respect to why gender was important in FDI policy: first, the implications of mainstreaming gender into FDI for the promotion of gender equality as an end in itself; and second, the implications of mainstreaming gender into FDI for the achievement of macroeconomic goals, which might include its contribution to an economic environment conducive to attracting investments.

42. In the context of the first aspect, experts observed that a gender perspective would require looking at the sectoral and industrial composition of FDI, as well as labour practices and standards of TNCs, in order to gauge their impact on gender equality. Employment patterns (both direct and indirect in subcontracting arrangements), wage differentials and women's workers' rights would be among the concerns.

43. In the context of the second aspect, it would be necessary to ensure that FDI, as a policy tool, was consistent with the Government's overall economic and development goals.

Concerns flagged by experts included the gender dimensions of TNC policies in the areas of linkage creation and outsourcing, technology transfer and training, and how these contributed to productivity, competitiveness and improved aggregate supply response of the economy. Performance criteria to ensure that FDI was consistent with macroeconomic and developmental goals could be considered. Where EPZs were significant, the gender implications of an "over-dependency" on exports could also be assessed.

44. It was emphasized that improving the availability of gender-disaggregated statistics would be a prerequisite for the design of gender-responsive policy measures for FDI. Furthermore, best practices case studies could also help to disseminate information on successful strategies and measures in order to study their possible applicability in other regions and for replication purposes.

B. Mainstreaming gender in commodities trade

45. With regard to mainstreaming gender in the area of commodities, participants recognized that the agricultural sector was the sector where women were most widely involved, particularly as small producers and traders, especially in least developed countries (LDCs). According to some estimates, women in poorer countries constituted the major agricultural workforce and produced 80 per cent of food products. Many of the skills required for production and processing of high-value products were possessed by women, and they should be enabled to reap corresponding benefits.

46. However, in spite of being organized among themselves, they were not sufficiently represented at the decision-making levels, for instance. As a result, participants in the Expert Meeting discussed the possibility of initiating laws and policies aimed at ensuring and/or enhancing the full and integrated participation of women in the global economy, recognizing the contributions already made, particularly in the commodities sector. The experts emphasized that the potential for women to continue to contribute to this specific sector could be fully and significantly realized through policies that would enable women to have equal access to land ownership, capital resources (including earnings), and credit facilities. In addition, the need was underlined to encourage and support the creation of cooperatives and enterprises for women in order to facilitate their access to new technologies and trading networks. Participants also expressed their concern regarding the gap between countries in mainstreaming gender at the economic, social and cultural levels. It was pointed out that Governments could generate a consensus across countries on the gender dimensions in fighting poverty in rural areas, for instance, given the high proportion of women involved in the agricultural sector.

47. Other possible gender-responsive measures could aim at supporting women in the production and commercialization of products of interest to poorer countries, organizing national training workshops that would assist women producers to meet quality standards in importing countries, and promoting thematic workshops of interest to women in the commodity sector. UNCTAD could play a role in these areas. Participants also discussed

ways and means to explore the potential and opportunities offered by the agro-tourism sector for rural women as a new way of doing business. The possibility for women to take advantage of biodiversity in developing countries and to have access to protection of intellectual property rights (IPR), for example with regard to forest products and methods and techniques of commodity processing and preservation, was also emphasized.

48. With regard to resources devoted to activities aimed at upgrading skills in areas where women had a comparative advantage, participants stressed the importance of the international community designing and implementing technical and financial assistance programmes through meaningful consultations with representatives of women's organizations. Participants encouraged the international community to increase its efforts to provide adequate development assistance and to strengthen the resources of the Common Fund for Commodities (CFC) to improve commodity development measures and support women in their activities.

C. Mainstreaming gender in trade in services

49. It was recognized that the service sector was not only the largest contributor to increases in GDP and employment globally, but it also presented enhanced opportunities for women and consequently enhanced means to achieve development goals. The service sector had traditionally been a vehicle of integration of women into the productive system. However, gains from such improved integration had, to date, been ambiguous at best, as integration had been generally premised on women's low labour costs, their inadequate education and the absence of a proper framework guaranteeing their employment rights.

50. It was noted that, in the face of market liberalization for services, both internally and externally, women had been exposed both to market instability caused by, for instance, shifts in competitiveness and comparative advantage and, most importantly, to risks that were women-specific. In order to avoid such risks for women, it was considered a necessity for policymakers, especially those dealing with negotiations on multilateral and regional trade agreements in WTO and other regional fora, to address gender issues in a systematic way. It was also stated that, as liberalization of services started at the national level, national authorities were best placed to carry this concern into all levels of policy-making.

51. Several examples demonstrating women-specific risks of liberalization of services were mentioned in connection with health services and tourism. In the former, nurses faced unfair practices when recruited in foreign countries, which clearly demonstrated the imbalance between the process of liberalization and the accompanying framework guiding, for instance, codes for recruitment and standardization. As a consequence, it was emphasized that women bore heavy social and economic costs, which could also negatively affect the quality of provision of particular services. For example, waves of migration of nurses from one place to another usually affected the quality of health service provision in both the service-exporting and the service-importing countries.

52. With respect to tourism, it was noted that this sector was perceived to be male-dominated, and the services provided by women were not economically and socially recognized and valued. In other words, the invisibility of women and the tourist services they engaged in was why women had been unable to fully capture the opportunities offered by the development of the tourism sector. It was also why the potential contribution of tourism in some countries had remained unrealized.

53. Experts agreed on the necessity of pursuing well-targeted government policies, both nationally and internationally, in order better to ensure that the costs, benefits, opportunities and risks in the services sector were equally shared by women and men. However, they noted that such policies would not meet their objectives if not supported by better sex-disaggregated statistics and policy-oriented gender studies. This applied equally to all service sectors, and the problem was aggravated by the fact that the methodology used for service statistics was still not complete. The need for increased participation by women in policy and decision making was also recognized.

54. Finally, it was recognized that government policies should take account of women not only as service providers but also as service consumers, as the provision of some services, especially those targeted at women, could play a major role in raising the productivity and capacity of women as contributors.

D. Mainstreaming gender in ICT policy

55. Experts recognized the key role of new information and communication technologies (ICTs) in driving the global economy: ICTs reached many people, had a wide geographical coverage, and were efficient in terms of time and cost. ICTs facilitated access to markets, commercial information, new processing technologies and knowledge. However, despite their great potential for development, only persons who could afford them would benefit, while the poor risked being marginalized. Given that women made up a substantial portion of low-income groups, any strategy to increase their participation in the digital economy would increase national capacity and help raise the national standard of living.

56. Experts also noted that the gender digital divide was greater in countries where women had less access to education than men and in those countries that did not promote an open and public role for women. Policies were needed to enhance formal employment in the digital economy for women and the use of ICT by women. In the Philippines, for example, female employment in IT-enabled services was high: women represented 60 per cent of the labour working in call centres, 70 per cent in shared financial services, and 50-62 per cent in software development services.

57. A number of other examples were provided from countries having addressed these issues. For example, the Government of Pakistan was launching an ambitious programme aimed at promoting and disseminating IT-related education and career opportunities among women. The project activities included IT-related basic and professional training for women

and girls. Public-private partnerships were encouraged, and communities were mobilized to give them ownership of some of the projects, such as telemedicine or Internet cafes for women.

58. The potential role for e-commerce and ICT in poverty reduction in South Africa was discussed. The advantages for small enterprises using the Internet included the possibility of obtaining sales and production information, accessing savings and credit facilities, placing and obtaining orders and making payments. E-commerce was particularly important for the development of small, medium and micro-enterprises, as it had the potential to break the poverty cycle through its ability to correct unequal access to information.

59. In South Africa, where 72 per cent of the poor lived in rural areas, with a large majority of women, policies to support e-commerce for rural women, such as deployment of telecentres, would be particularly relevant.

60. Telecentres must, however, be appropriately funded to improve their services and ensure sustainability, and access to existing and expanding infrastructure required skills in the basic use of computers and ICTs in general. Without access to training and to the formal financial system, the Internet would remain inaccessible to relatively high numbers of illiterate women in rural areas, in particular in Africa. In this context, experts noted that knowledge and the Internet were global public goods, and government intervention to ensure their availability and affordability, as well as the development of appropriate technology, in particular for poor rural women, could therefore be justified. Examples were also given of rural female entrepreneurs in Peru who, despite low-level education, had been successful in using the Internet to find new customers and sell their products.

61. The expert from Tunisia emphasized the importance of ICTs for creating jobs for future generations. His country had adopted an ITC awareness-raising programme for young people. Appropriate training programmes were being established to assist them in finding employment related to ICTs. In order to help families and women, heavily subsidized computers and cheap Internet access were being provided to low-income families. Awareness-raising programmes had also been carried out in Pakistan through large-scale seminars and interactive television programmes.

62. During the discussions, a number of possible research topics were identified by the experts. The structure of employment of ICT-related sectors could be studied from a gender perspective. For example, what level of employment was created for women, and was there upward mobility? If not, there might be a need for training and greater sensitization of employers to support career opportunities for women. Also, sex-disaggregated data were needed, including sector and employment data broken down by markets and enterprise ownership. Other research could focus on the question of how differential access and capacities for leveraging new ICTs between women and men would impact on a country's competitiveness, the composition and efficacy of trade and FDI, and its desired development/growth path, and what private or public interventions had proven useful in this context.

E. Mainstreaming gender in enterprise development

63. Recognizing that women entrepreneurs faced greater obstacles than their male counterparts, particularly in accessing finance and information technologies, which were essential for the growth and survival of their enterprises in a global economy, the experts discussed the situation of women entrepreneurs.

64. The secretariat's presentation on UNCTAD's work first described a project on enhancing women's entrepreneurship in LDCs where - based on data gathered from 428 women's enterprises in nine LDCs, and in close alliance with some 600 stakeholders, including partners in the UN system, such as ILO, the International Trade Centre, UNIDO, the Economic Commission for Europe, and civil society – policy recommendations had been developed and presented in various international fora.

65. With regard to the specific situation of women's entrepreneurship in LDCs, there was potential for success also on the international market, but this potential remained largely untapped. In the world of small and medium-sized enterprises that employed between 60 and 70 per cent of the world's labour force, women's enterprises remained the most isolated and the smallest of the small. Women entrepreneurs generally lacked access to the finance (credit and equity) needed to expand their businesses. For example, at the global level women had access to only three per cent of bank loans. The preferred customers of commercial banks were government and large enterprises and their cronies. In some countries, there were still legal barriers or commercial practices based on traditions that prevented women from owning and using economic resources or economic instruments such as contracts. Since most banks required collateral, and many women did not have it, traditional banks had excluded women, even though their record in micro-lending showed they had excellent repayment rates.

66. UNCTAD research on financial innovation showed that solutions were at hand provided there was a commitment on the part of Governments and their respective financial sectors to apply them. In some developed countries, such solutions had been achieved through various programmes such as dedicated loan guarantee programmes, dedicated credit lines, dedicated equity schemes, tax incentives for lenders and investors to provide funding for women, programmes to inform loan officers of the needs of women entrepreneurs, and mandatory reporting by banks on the composition of their loan portfolios by size of enterprise and by gender. Such programmes had been launched both in the United States and in Europe, as well as in developing countries. For example, in India the Small Industries Development Bank had been established, and in Turkey the Halkbank had special credit windows for women entrepreneurs. In Thailand, women entrepreneurs were not required to provide collateral, and there were special tax measures for SMEs, as well as accelerated depreciation for financing information technology expenditures. Many banks had also entered partnerships with business development service providers to assist women in improving their management and financial skills. It was suggested that both financial services and business services should be extended more readily to start-ups.

67. The necessity of networking by women entrepreneurs in business associations and in international fora was emphasized in order that women entrepreneurs could access information on best practices and also lobby their Governments to press for change. In this respect the United Nations could provide much needed visibility. As an example, an expert from the United Nations Economic Commission for Europe (ECE) described the establishment of the Advisory Service on Gender and Economy in January 2001 with a focus on countries with economies in transition. The Service's three key areas were gender and microeconomic policies, women's entrepreneurship, and gender and ICTs. The first ECE Forum on Women Entrepreneurs had focused on best practices in developing one's own business, including the role and benefits of networking at all levels, as well as questions of access to new markets and communication technologies. Building networks among women entrepreneurs was critical for acquiring information and know-how, contacts and the creation of public awareness, and were part of the process of creating women's business associations in countries with economies in transition, which had been started early in the 1990s with the objectives of providing training, facilitating access to markets and financing, and contributing to good governance.

F. Recommendations

68. During the debate, the experts made specific recommendations to Governments, the international community and UNCTAD. These are set out in the outcome of the Meeting (see chapter I above).

Chapter III

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

69. The Expert Meeting on Mainstreaming Gender in order to Promote Opportunities was held at the Palais des Nations, Geneva, from 14 to 16 November 2001.

B. Election of officers

(Agenda item 1)

70. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson: Ms. Toby Melissa Collas Monsod (Philippines)

Vice-Chairperson-cum- Rapporteur: Ms. Unni Ramboll (Norway)

C. Adoption of the agenda and organization of work

(Agenda item 2)

71. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.3/EM.14/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Mainstreaming gender in order to promote opportunities
4. Adoption of the outcome of the Meeting

D. Documentation

72. For its consideration of the substantive agenda item, the Expert Meeting had before it an issues paper prepared by the UNCTAD secretariat entitled: "Mainstreaming gender in order to promote opportunities" (TD/B/COM.3/EM.14/2).

E. Adoption of the outcome of the Meeting

(Agenda item 4)

73. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Antigua and Barbuda
Bangladesh
Belarus
Belgium
Benin
Bhutan
Burkina Faso
Cameroon
Chile
Comoros
Costa Rica
Czech Republic
Denmark
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gambia
Germany
Ghana
Guinea-Bissau
Honduras
India
Indonesia
Israel
Italy
Kazakhstan
Kenya
Lesotho
Madagascar
Malaysia
Mali
Mauritius
Mexico
Morocco
Nepal
Norway
Pakistan
Panama
Peru
Philippines
Russian Federation
Spain
Sweden
Switzerland
Syrian Arab Republic
Thailand
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United States of America
Zambia
Zimbabwe

* For the list of participants, see TD/B/COM.3/EM.14/INF.1.

2. The following intergovernmental organizations were represented at the Meeting:

African Development Bank
Common Fund for Commodities

3. The following specialized agencies and related organizations were represented at the Meeting:

International Labour Organization
Food and Agriculture Organization of the United Nations
International Telecommunication Union
World Intellectual Property Organization
World Trade Organization

4. The Economic Commission for Europe, the Department for Economic and Social Affairs and the Office of the High Commissioner for Human Rights were represented at the Meeting.

5. The International Trade Centre UNCTAD/WTO was represented at the Meeting.

6. The following non-governmental organizations were represented at the Meeting:

General Category

Exchange and Cooperation Centre for Latin America International
International Confederation of Free Trade Unions

Special Category

International Council of Nurses
International Federation of University Women

7. The following panellists attended the Meeting:

Ms. Renate D. Bloem, President, Conference of Non-Governmental Organizations in Consultative Relationship with the Palais des Nations, Geneva, Switzerland
Ms. Susan Joekes, Senior Program Specialist-Economics, IDRC Trade, Employment and Competitiveness Program Initiative, Ottawa, Canada
Ms. Leyla Khaïat, Présidente, Les femmes chefs d'entreprises mondiales (FCEM), Tunis, Tunisie
Ms. Mechtild Petritsch, Deputy Director, Multilateral Development, Federal Ministry of Foreign Affairs, Vienna, Austria
Ms. Conchita Poncini, President, IFUW, NGO Committee on the Status of Women, Geneva, Switzerland

Ms. Natasha Primo L., Project Manager, Women's Net, South African
Non-Governmental Organisation Network, Johannesburg, South Africa
Ms. Anne Zammit, Consultante, Geneva, Switzerland
Mrs. Judith Oulton, International Council of Nurses